

# The Indonesian conundrum: entrenched corruption and failing reform

Experts and most Indonesians agree that since the fall of Suharto in 1998, *Reformasi* and *Demokratisasi* have failed to check corruption, commonly referred to as KKN: *Korupsi, Kolusi dan Nepotisme*. The new government of President Susilo Bambang Yudhoyono has made the fight against KKN its chief priority, but the results so far have been disappointing.

Peter King

Why is the struggle against corruption in Indonesia so difficult? What are the main mechanisms for its intensifying proliferation? Who are the principal beneficiaries and cost bearers? What role can Indonesian civil society play in overcoming the growing threat of KKN? Can Indonesia escape the KKN trap, which threatens to create a future of poverty and turmoil?

Corruption is central to understanding the failure of Indonesia's new rulers to deliver meaningful reform, well-founded prosperity or a measure of social justice. In the late Suharto period the country was widely thought of as a kleptocracy, with one extended family figuring as kleptocrats-in-chief. Since Suharto's 'fall' (which has been much exaggerated) and the advent of a '*Reformasi*' (which has fully qualified for its inverted commas), we have a democratised – or at least oligopolised – and decentralized version of Suharto-era KKN.

The crony conglomerates, both Chinese and *pribumi* (indigenous Indonesian), and their 'in-house' banks have survived the crash of the currency, the crash of the banks, the crash of export-led growth and the rise of poverty. Persisting, pervasive corruption has permitted most of them to weather default, bankruptcy, bank restructuring and asset sell-offs. They have preserved their business empires in the face of complete financial and economic disaster for the state and the people. And they have resorted once again to the tried and trusted mechanisms and networks of KKN to spectacular effect.

## How did things go so wrong so quickly?

Or we might ask: How did it all go so right for the cronies and their threatened business empires? As Robison and Hadiz have shown, the refinancing of the bankrupt banks following the Asian financial crisis of 1997-98 was long on carrot but short on stick. Almost all of the International Monetary Fund's \$14 billion, distributed through the Bank Indonesia liquidity support fund (BLBI) to rescue and reflate Indonesia's private banks, was



promptly embezzled by the corporate cronies who controlled them.<sup>1</sup> The banks lent the money 'in-house' whence it disappeared, mainly into off-shore investments and debt repayment.

The court actions intended to recover this money were another sorry illustration of the failings of the Indonesian legal system in the reform process. Case after case collapsed under the influence of flawed judicial reasoning and action. The IMF, the bountiful source of this new

co of the IMF rescue package has now saddled the long-suffering Indonesian public with an additional debt of several billion dollars.

Jeffrey Winters has suggested that there should be international criminal accountability for the former debt mountain; it seems there should be moral-political accountability at least for the latter one, since the IMF saw fit to lend once again into a rotten structure. There is also the issue of domestic Indonesian accountability, which was

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instant debt mountain that was supposed to rescue the economy, watched astonished (though why should it have been?) and censorious – but ultimately powerless – from the sidelines.

Seven years on from the IMF 'rescue' Indonesia is essentially still prostrate and now doubly crucified by the gnomes of Washington and Wall Street. In the Suharto years the World Bank's toleration of a steady haemorrhage of 30% or so of its own development loan funding to KKN<sup>2</sup> left a \$10 billion public debt overhang at the moment of crash in 1997. The fresh multibillion dollar fias-

submerged in the rush to money politics under Suharto's successor and political crony, President Jusuf Habibie. Habibie pioneered his way on the back of the Golkar Party's attempted looting of Bank Bali<sup>3</sup> and by bilking the poverty alleviation fund of Bulog (Badan Urusan Logistik, the national logistics agency)<sup>4</sup> to assure funding for the 1999 election.

The Suharto-era cronies were joined in resuming the plunder of the Indonesian interior (to borrow a phrase from Marx) by a widening circle of senior bureaucrats, state industry sector exec-

utives, judges, prosecutors, court officials, police and military generals (many retired) and politicians and party officials. Then, as decentralisation reforms took hold from 2001, officials in the provinces and regencies, both bureaucratic and elected, joined the KKN club, colluding with local businessmen and operating even without the centralised restraints of Suharto's dictatorship. This has gravely sabotaged the potential of special and regional (ordinary) autonomy to deliver long-delayed economic justice or a sense of effective local participation in the aggrieved provinces of Aceh and Papua and elsewhere.<sup>5</sup>

## To protect and swindle

Thus money politics in parliaments was complemented by money justice, kleptocratic state administration and TNI (*Tentara Nasional Indonesia, or armed forces*) capitalism, corruption and extortion. New government-established institutions to combat corruption have proliferated since 1998 – most notably an Anti-Corruption Commission (KPK, *Komisi Pemberantasan Korupsi*) and Court – while anti-corruption NGOs from Transparency International to TNI Watch are active and articulate. But despite backing from mass print media, notably the Tempo group, Indonesian civil society remains embattled, struggling for real empowerment in the anti-corruption campaign.

A principal reason for this is the impunity of the military and military-dominated sectors of the government in their violent dealing with civil society opponents who seek to expose and undermine the military business empire, which includes illegal logging and log export,<sup>6</sup> and fuel smuggling and theft on a vast scale in collusion with corrupt officials at the state oil and gas company, Pertamina (*Pertambangan Minyak dan Gas Bumi Nasional*).<sup>7</sup> TNI and the police also routinely extend protection to big business associates who themselves employ violence and intimidation in defence of corrupt empires.

TNI remains a prime guarantor of Suharto family wealth, which became clear when Tommy Suharto spent a year on the run in Jakarta under military protection after procuring the murder of the judge who sentenced him to prison on corruption charges in 2001.<sup>8</sup> Meanwhile, retired military generals at BIN (*Badan Intelijen Negara*, the State Intelligence Agency) were plainly involved in the poisoning-murder of the founder of Kontras (*Komisi Untuk Orang Hilang dan Korban Tindak Kekerasan*, Commission for Disappearances and Victims of Violence) and leading the scourge of the TNI, Munir, in 2004. Only the BIN field operative Garuda pilot, Polycarpus, has been brought to trial for the killing.<sup>9</sup>

In Indonesia corruption thrives under the influence of a large and still growing business, political, administrative and military elite who are prepared to unscrupulously wield state authority and state violence – as well as private violence under state or military protection – to defend their interests. Tackling KKN effectively depends on far-ranging reforms that must go well beyond the window-dressing of *Reformasi*. Bitter political struggles over corruption undoubtedly lie ahead. ◀

**Peter King** is a research associate in Government and International Relations at Sydney University, where he was founding president and later director of the Centre for Peace and Conflict Studies. His most recent book is 2004's *West Papua and Indonesia Since Suharto: Independence, Autonomy or Chaos?* UNSW Press, Sydney. He was an IIAS fellow in 2005.

## notes

1. Robison, Richard and Hadiz, Vedi. 2004. *Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets*. RoutledgeCurzon, New York.
2. Winters, Jeffrey. 3-5 July 2000. 'Criminal Debt in the Indonesian Context'. Paper updated for the INFID Seminar on Indonesian Foreign Debt, Jakarta.
3. Agence France Press. 31 August 1999. 'Indonesian Group Slams IMF, World Bank over Bank Bali Scam'.
4. Akbar Tanjung, chair of the Golkar party and Speaker of the DPR (Dewan Perwakilan Rakyat; House of Representatives), was convicted in 2002 of embezzling Rp40 billion (\$4.8 million) of Bulog funding for a food-distribution program for the poor. He was sentenced to three years in jail but did not resign his posts, and the Supreme Court overturned his conviction in 2004 on the grounds that he had acted on then-President Habibie's orders while he was in charge of the State Secretariat and that the money had been returned. See Guerin, Bill. 3 August 2002. 'Robbing the Poor to Help the Rich'. *Asia Times Online*; LaMoshi, Gary. 14 February 2004. 'Tanjung Acquittal: Verdict Against Reform'. *Asia Times Online*.
5. See King, Peter. 2004. *West Papua and Indonesia since Suharto: Independence, Autonomy or Chaos?* (Chapter 5. 'The TNI and Papua'). UNSW Press, Sydney.
6. Wing, John and King, Peter. 2005. *Genocide in West Papua?* (Chapter 1). West Papua Project, University of Sydney.
7. See Agence France Press. 9 September 2005. 'Indonesia's President Summons Pertamina Officials over Fuel Smuggling'.
8. Tupai, Roy. 19 August 2005. 'Chronology of Tommy Suharto's Legal Saga'. *Paras Indonesia*.
9. Siboro, Tiarna. 15 December 2005. 'Govt Blamed for Unfinished Probe into Munir Assassination'. *Jakarta Post*.